

**CITY OF SPIRIT LAKE**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2011**

# CITY OF SPIRIT LAKE

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CITY OF SPIRIT LAKE

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Blain Andera	Mayor	December 31, 2011
Jerry Harbst	Council Member	December 31, 2011
Jeff Thee	Council Member	December 31, 2011
Kevin Bice	Council Member	December 31, 2011
Clyde Ihrke	Council Member	December 31, 2013
Steve Balm	Council Member	December 31, 2013
Mark Stevens	Clerk/Administrator/Treasurer	December 31, 2011
Earl Maahs	Attorney	December 31, 2011

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*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Spirit Lake  
Spirit Lake, IA 51360

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake as of June 30, 2011 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2012 on our consideration of the City of Spirit Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Other supplementary information, included in Schedules 1, 2, and 3, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other information, included in Schedule 4, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Winther, Stone & Co., LLP*

January 4, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Spirit Lake provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2011 Financial Highlights**

- The City's total cash basis net assets increased 9.14% or approximately \$420,000 from June 30, 2010 to June 30, 2011. Of this amount, the cash basis net assets of the governmental activities increased by approximately \$336,000 and the cash basis net assets of the business type activities increased by approximately \$84,000

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and information on the City's debt.

Other Information shows the receipts and disbursements of the governmental funds for the last eight years.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **Reporting The City's Financial Activities**

### Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and the solid waste department. These activities are financed primarily by user charges.

### Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Tax Increment Financing, (c) the Debt Service Fund, and (d) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise and for the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and solid waste funds, considered to be major funds of the City. The Internal Service Funds are used to account for the City's self-insurance and to account for reserves accumulated to fund future equipment purchases.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

Reconciliations between the government-wide statement and the fund statements follow the fund financial statements.

## Government-Wide Financial Analysis

The City's cash balance for governmental activities increased by \$335,737 for the year ended June 30, 2011. The following analysis focuses on the changes in cash basis net assets of governmental activities.

### Changes in Cash Basis Net Assets For the Year Ended June 30,

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Receipts:			
Program receipts:			
Charges for services .....	\$ 94,219	\$ 89,815	\$ 4,404
Operating grants, contributions, and restricted interest .....	622,168	514,097	108,071
Capital grants, contributions, and restricted interest ..	26,669	30,556	(3,887)
General receipts:			
Property and other city taxes .....	2,145,893	2,127,683	18,210
Tax increment financing .....	2,415,385	2,337,003	78,382
Local option sales tax .....	769,733	677,876	91,857
Unrestricted investment earnings .....	18,607	22,121	(3,514)
Unrestricted miscellaneous .....	50,407	65,764	(15,357)
Bond and note proceeds .....	<u>6,668,597</u>	<u>4,688,770</u>	<u>1,979,827</u>
Total receipts	<u>12,811,678</u>	<u>10,553,685</u>	<u>2,257,993</u>
Disbursements:			
Public safety .....	1,014,111	1,070,860	(56,749)
Public works .....	865,894	926,103	(60,209)
Health and social services .....	31,666		31,666
Culture and recreation .....	512,333	567,609	(55,276)
Community and economic development .....	110,250	43,381	66,869
General government .....	355,613	485,169	(129,556)
Debt service .....	9,556,100	4,438,312	5,117,788
Capital projects .....	<u>626,106</u>	<u>3,742,597</u>	<u>(3,116,491)</u>
Total disbursements	<u>13,072,073</u>	<u>11,274,031</u>	<u>1,798,042</u>
Change in cash basis net assets before transfers	(260,395)	(720,346)	459,951
Net transfers .....	<u>596,132</u>	<u>282,067</u>	<u>314,065</u>
Change in cash basis net assets	335,737	(438,279)	774,016
Cash basis net assets - beginning of year .....	<u>1,856,641</u>	<u>2,294,920</u>	<u>(438,279)</u>
Cash basis net assets - end of year	<u>\$ 2,192,378</u>	<u>\$ 1,856,641</u>	<u>\$ 335,737</u>

The City's total receipts for governmental activities increased 21.40% or approximately \$2,258,000 from fiscal year 2010 to fiscal year 2011. The increase was primarily due to additional bond and note proceeds.

The City's total disbursements for governmental activities increased 15.95% or approximately \$1,798,000 from fiscal year 2010 to fiscal year 2011. The increase was primarily due to an increase in debt service disbursements of approximately \$5,118,000 which offset a decrease in capital project disbursements of approximately \$3,116,000. The increase in debt service disbursements was the result of refunding four old bond issues.



The City's cash balance for business type activities increased by \$83,953 for the year ended June 30, 2011. The following analysis focuses on the changes in cash basis net assets of business type activities.

Changes in Cash Basis Net Assets  
For the Year Ended June 30,

	<u>2011</u>	<u>2010</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Water .....	\$ 1,738,819	\$ 1,687,182	\$ 51,637
Sewer .....	296,123	288,138	7,985
Solid waste .....	827,166	796,408	30,758
Operating grants, contributions and restricted interest	30,608	11,805	18,803
Capital grants, contributions, and restricted interest ..	1,821	1,987	(166)
General receipts:			
Unrestricted investment earnings .....	19,190	21,235	(2,045)
Bond and note proceeds .....	<u>202,111</u>	<u>960,322</u>	<u>(758,211)</u>
Total receipts	<u>3,115,838</u>	<u>3,767,077</u>	<u>(651,239)</u>
Disbursements:			
Water .....	1,580,098	2,324,820	(744,722)
Sewer .....	175,733	289,323	(113,590)
Solid waste .....	<u>679,922</u>	<u>647,512</u>	<u>32,410</u>
Total disbursements	<u>2,435,753</u>	<u>3,261,655</u>	<u>(825,902)</u>
Change in cash basis net assets before transfers	680,085	505,422	174,663
Net transfers .....	<u>(596,132)</u>	<u>(282,067)</u>	<u>(314,065)</u>
Change in cash basis net assets	83,953	223,355	(139,402)
Cash basis net assets - beginning of year .....	<u>2,733,376</u>	<u>2,510,021</u>	<u>223,355</u>
Cash basis net assets - end of year	<u>\$ 2,817,329</u>	<u>\$ 2,733,376</u>	<u>\$ 83,953</u>

The City's total receipts for business type activities decreased 17.29% or approximately \$651,000 from fiscal year 2010 to fiscal year 2011. The decrease was primarily due to less bond and note proceeds.

The City's total disbursements for business type activities decreased 25.32% or approximately \$826,000 from fiscal year 2010 to fiscal year 2011. The decrease was primarily due to a decrease in purchases of capital assets.

## Individual Major Governmental Fund Analysis

### Changes in Cash Balances - Governmental Funds For the Year Ended June 30,

	2011 <u>All Funds</u>	2010 <u>All Funds</u>
Receipts .....	\$ 6,141,790	\$ 5,863,734
Disbursements .....	<u>13,073,912</u>	<u>11,277,472</u>
Net	(6,932,122)	(5,413,738)
Other financing sources .....	<u>7,279,229</u>	<u>4,970,837</u>
Increase (decrease) in cash balances	347,107	(442,901)
Cash balances - beginning of year .....	<u>1,716,346</u>	<u>2,159,247</u>
Cash balances - end of year	<u>\$ 2,063,453</u>	<u>\$ 1,716,346</u>

The governmental funds reported a combined cash balance of \$2,063,453 which was an increase of \$347,107 from the balance at June 30, 2010.

The general, tax increment financing, debt service, and nonmajor governmental funds all showed modest increases in cash balances. The capital projects fund showed a decrease in cash balances of \$255,336.

## Individual Major Business Type Fund Analysis

### Changes in Cash Balances - Proprietary Funds For the Year Ended June 30,

	2011 <u>Enterprise Funds</u>	2010	2011 <u>Internal Service Funds</u>	2010
Operating receipts .....	\$ 2,886,357	\$ 2,777,533	\$ 20,493	\$ 25,849
Operating disbursements .....	<u>1,922,269</u>	<u>1,869,295</u>	<u>18,126</u>	<u>23,133</u>
Excess of operating receipts over disbursements	964,088	908,238	2,367	2,716
Non-operating receipts (disbursements)	(286,517)	(405,068)	3,277	4,158
Net transfers .....	<u>(666,132)</u>	<u>(407,374)</u>	<u>55,500</u>	<u>125,307</u>
Increase in cash balances	11,439	95,796	61,144	132,181
Cash balances - beginning of year .....	<u>2,175,873</u>	<u>2,080,077</u>	<u>697,798</u>	<u>565,617</u>
Cash balances - end of year	<u>\$ 2,187,312</u>	<u>\$ 2,175,873</u>	<u>\$ 758,942</u>	<u>\$ 697,798</u>

The enterprise funds reported a combined cash balance of \$2,187,312 which was an increase of \$11,439 over the balance at June 30, 2010. The sewer and solid waste funds reported increases in cash of \$73,867 and \$103,529, respectively. The water fund reported a decrease in cash of \$165,957.

## Budgetary Highlights

During the year, the City amended the budget twice. The final amendment was approved on May 24, 2011. These amendments were needed to budget additional debt service disbursements related to the prepayment of bonds which were called on August 13, 2010. Other financing sources were also amended to reflect bond issues primarily related to the called bonds. Even with the budget amendments, total disbursements for the debt service function exceeded the amended budget by \$55,947.

## Debt Administration

At June 30, 2011, the City had \$33,095,000 of outstanding bonds and notes, compared to \$34,671,889 last year as detailed below:

### Outstanding Debt at Year-End

	June 30,	
	2011	2010
General obligation bonds and notes .....	\$16,487,000	\$17,059,889
General obligation annual appropriation bonds .....	14,280,000	15,125,000
Water revenue capital loan notes .....	<u>2,328,000</u>	<u>2,487,000</u>
Total	<u>\$33,095,000</u>	<u>\$34,671,889</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. A computation of the City's available debt capacity is as follows;

Constitutional debt limit .....		\$23,148,245
General obligation bonds and notes .....	\$16,487,000	
Principal and interest due within the next fiscal year on general obligation annual appropriation bonds .....	<u>1,148,431</u>	
Total subject to constitutional debt limitation		<u>17,635,431</u>
Available debt capacity		<u>\$ 5,512,814</u>
Percentage of debt limit available		<u>23.82%</u>

The City issued \$6,660,000 in general obligation bonds and \$202,111 of general obligation water improvement bonds (reported in the water enterprise fund) during the year ended June 30, 2011. The proceeds of the \$6,660,000 bonds were used to refund four old bond issues (approximately \$6,419,000). The balance was used for capital projects (approximately \$241,000). The \$202,111 proceeds from the water improvement bonds were all spent on the water expansion project.

## Economic Factors Bearing on the City's Future

We continue to experience an improvement in the economic climate within the City and broader lakes region. This has had a positive effect on the City's financial condition. Conservative budgetary management practices have also contributed to an improved financial outcome in fiscal year 2011.

Over the past two years, we refinanced debt to reduce costs, lowered certain personnel costs, deferred some operating and capital purchases, and avoided taking on new obligations. We did this without ignoring our responsibilities to properly care for facilities and to maintain public services. We have also taken some steps to better position ourselves for future growth.

The City increased its General Fund ending cash balance in fiscal year 2011 by 28% to \$1,093,227. The General Fund ending balances represent 50% of disbursements, which surpasses our 2007 goal of at least 25% of disbursements. This achievement will allow us to address some outstanding needs, although we will remain cautious about spending patterns. We believe that we will reduce the General Fund balances in the future, yet stay well above the 25% level.

In fiscal year 2011, the City issued \$6,660,000 in General Obligation bonds. This bond issue provided \$241,000 in new money, and the balance was used to refinance existing debt. The maturities were not extended and the resulting net debt service (including the new funds) was reduced from the previous amount.

The City's overall debt continues to be a problem. Residential development agreements from the pre-2007 era continue to assert themselves. While these are gradually being disposed of through execution and financing, we still have two yet to be fulfilled. These two agreements are estimated to cost about \$3.5 million. The City does not need any additional development areas at this time and will defer them as long as possible.

Financing these previous obligations, including those completed and financed, while addressing other needed infrastructure repairs, has made it extremely difficult to reduce overall net debt. Net long-term debt was reduced by \$1,576,889 in fiscal year 2011 and another reduction of approximately \$420,000 is planned for fiscal year 2012. In a financial work session in November 2012, the City Council set a goal of continuing to reduce net City debt by deferring capital projects.

In October 2011 (fiscal year 2012), the City issued \$1,615,000 in GO Bonds for two projects. The City maintained its Standard & Poor's debt rating of "A", with a stable outlook.

The City continues to experience annual increases in taxable valuation which increases debt capacity and allows property tax receipts to increase with the tax levy rate held steady at \$10.54 per thousand taxable valuation. This tax rate was approved for fiscal year 2012 for the fourth straight year. City Administration believes that the current levy rate can continue through fiscal year 2013 and the City will be able to maintain current services without affecting our financial condition.

Economic activity is showing stronger signs of recovery. The 2011 tourist season was good and spending-sensitive revenues, such as sales tax are above pre-recession levels. There are other signs of developers, builders, and entrepreneurs preparing to invest in the local economy. Commercial development is improving, but residential construction is weak. With two new residential developments noted below, this should change by next summer.

The City started work on the Pointe of Pines 2<sup>nd</sup> Addition residential development. This is one of the development agreements referenced earlier. The first phase of 17 lots and related infrastructure got underway, with the remaining 35 lots to be developed in the future. The City also assisted a developer for 19 townhomes to be constructed on former school district property near the downtown area. The City's involvement is limited to a partial rebate of taxes paid after construction occurs.

Other significant actions that occurred in fiscal year 2011 include the City adopting a Flood Plain Management ordinance and re-joining the National Flood Insurance Program; adoption of a formal employee compensation plan; creation of the Spirit Lake Development Corporation; and taking initial steps to acquire property in partnership with Iowa Lakes Electric Cooperative for a new business park.

In fiscal year 2011, the City Council resumed consideration of replacing City Hall and improving the police station. This project was scaled back to focus just on the City Hall. It was submitted to the voters in a November 2011 referendum and lost. The Council has resumed consideration of this and another referendum is likely, although it will probably be in fiscal year 2013. This project is approximately \$2 million. The Council will likely undertake a major street reconstruction and park improvement in the summer/fall of 2012. These will be financed through general obligation debt, estimated at \$1.2 million.

In summary, the City of Spirit Lake is in good financial condition and the outlook is positive. The effects of the national recession appear to be waning. Continued moderate growth in population and taxable valuation provide the resources to see improvement in services. The high debt level will limit the City's ability to undertake large projects. The City is positioned to grow into even more of a leading center of commerce and development in Northwest Iowa.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Hall, 1803 Hill Avenue, Spirit Lake, Iowa 51360.

## **BASIC FINANCIAL STATEMENTS**

CITY OF SPIRIT LAKE  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

			<u>Program Receipts</u>
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>			
Governmental activities:			
Public safety .....	\$ 1,014,111	\$ 77,735	\$ 61,099
Public works .....	865,894		404,057
Health and social services .....	31,666		
Culture and recreation .....	512,333	4,404	154,244
Community and economic development .....	110,250		2,140
General government .....	355,613	7,980	
Debt service .....	9,556,100	4,100	628
Capital projects .....	626,106		
Total governmental activities	<u>13,072,073</u>	<u>94,219</u>	<u>622,168</u>
Business type activities:			
Water .....	1,580,098	1,738,819	8,303
Sewer .....	175,733	296,123	32
Solid waste .....	679,922	827,166	22,273
Total business type activities	<u>2,435,753</u>	<u>2,862,108</u>	<u>30,608</u>
<b>TOTAL</b>	<u><b>\$15,507,826</b></u>	<u><b>\$2,956,327</b></u>	<u><b>\$ 652,776</b></u>
General Receipts:			
Property and other city taxes levied for:			
General purposes .....			
Debt service .....			
Tax increment financing .....			
Local option sales tax .....			
Unrestricted investment earnings .....			
Unrestricted miscellaneous .....			
Bond and note proceeds .....			
Operating transfers .....			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET ASSETS ....			
CASH BASIS NET ASSETS -			
BEGINNING OF YEAR .....			
CASH BASIS NET ASSETS - END OF YEAR			
CASH BASIS NET ASSETS:			
Restricted, expendable for:			
Urban renewal purposes .....			
Debt service .....			
Streets .....			
Other purposes .....			
Unrestricted .....			
TOTAL CASH BASIS NET ASSETS			

Exhibit A

<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	\$ (875,277)		\$ (875,277)
	(461,837)		(461,837)
	(31,666)		(31,666)
\$ 3,956	(349,729)		(349,729)
	(108,110)		(108,110)
	(347,633)		(347,633)
	(9,551,372)		(9,551,372)
<u>22,713</u>	<u>(603,393)</u>		<u>(603,393)</u>
<u>26,669</u>	<u>(12,329,017)</u>		<u>(12,329,017)</u>
		\$ 167,024	167,024
1,821		122,243	122,243
		<u>169,517</u>	<u>169,517</u>
<u>1,821</u>		<u>458,784</u>	<u>458,784</u>
<u>\$ 28,490</u>	<u>(12,329,017)</u>	<u>458,784</u>	<u>(11,870,233)</u>
	2,071,531		2,071,531
	74,362		74,362
	2,415,385		2,415,385
	769,733		769,733
	18,607	19,190	37,797
	50,407		50,407
	6,668,597	202,111	6,870,708
	<u>596,132</u>	<u>(596,132)</u>	
	<u>12,664,754</u>	<u>(374,831)</u>	<u>12,289,923</u>
	335,737	83,953	419,690
	<u>1,856,641</u>	<u>2,733,376</u>	<u>4,590,017</u>
	<u>\$ 2,192,378</u>	<u>\$2,817,329</u>	<u>\$ 5,009,707</u>
	\$ 648,476		\$ 648,476
	86,786	\$ 19,972	106,758
	193,715		193,715
	181,142	25,440	206,582
	<u>1,082,259</u>	<u>2,771,917</u>	<u>3,854,176</u>
	<u>\$ 2,192,378</u>	<u>\$2,817,329</u>	<u>\$ 5,009,707</u>

See Notes to Financial Statements



CITY OF SPIRIT LAKE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>
RECEIPTS:			
Property tax .....	\$1,525,593		\$ 72,786
Tax increment financing .....		\$2,415,385	
Other city taxes .....	951,885		1,576
Licenses and permits .....	27,898		
Use of money and property .....	8,775	7,237	4,728
Intergovernmental .....	96,802		
Charges for service .....	22,325		
Miscellaneous .....	95,670		
TOTAL RECEIPTS	<u>2,728,948</u>	<u>2,422,622</u>	<u>79,090</u>
DISBURSEMENTS:			
Public safety .....	843,132		
Public works .....	486,507		
Health and social services .....	31,666		
Culture and recreation .....	432,140		
Community and economic development .....	110,250		
General government .....	285,748		
Debt service .....			9,556,100
Capital projects .....			
TOTAL DISBURSEMENTS	<u>2,189,443</u>	<u>                    </u>	<u>9,556,100</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>539,505</u>	<u>2,422,622</u>	<u>(9,477,010)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in .....	23,183		3,063,134
Operating transfers out .....	(324,331)	(2,275,118)	
Bond proceeds including net premium of \$8,597 .....			6,445,784
TOTAL OTHER FINANCING SOURCES (USES)	<u>(301,148)</u>	<u>(2,275,118)</u>	<u>9,508,918</u>
NET CHANGE IN CASH BALANCES	238,357	147,504	31,908
CASH BALANCES - BEGINNING OF YEAR, as restated .	<u>854,870</u>	<u>500,972</u>	<u>54,878</u>
CASH BALANCES - END OF YEAR	<u>\$1,093,227</u>	<u>\$ 648,476</u>	<u>\$ 86,786</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes .....		\$ 648,476	
Debt service .....			\$ 86,786
Streets .....			
Employee benefits .....			
Police purposes .....			
Library purposes .....			
Committed for economic development .....	\$ 352,806		
Assigned for park development .....	4,300		
Unassigned .....	<u>736,121</u>	<u>                    </u>	<u>                    </u>
TOTAL CASH BASIS FUND BALANCES	<u>\$1,093,227</u>	<u>\$ 648,476</u>	<u>\$ 86,786</u>

See Notes to Financial Statements

# Exhibit B

Capital Projects	Total Nonmajor Governmental Funds	Total
	\$ 351,885	\$ 1,950,264
		2,415,385
	11,901	965,362
		27,898
\$ 1,480	537	22,757
22,713	408,320	527,835
		22,325
	114,294	209,964
<u>24,193</u>	<u>886,937</u>	<u>6,141,790</u>
	171,670	1,014,802
	379,718	866,225
		31,666
	80,594	512,734
		110,250
	70,281	356,029
		9,556,100
626,106		626,106
<u>626,106</u>	<u>702,263</u>	<u>13,073,912</u>
<u>(601,913)</u>	<u>184,674</u>	<u>(6,932,122)</u>
146,585		3,232,902
(22,821)		(2,622,270)
222,813		6,668,597
<u>346,577</u>	<u></u>	<u>7,279,229</u>
(255,336)	184,674	347,107
<u>115,443</u>	<u>190,183</u>	<u>1,716,346</u>
<u>\$ (139,893)</u>	<u>\$ 374,857</u>	<u>\$ 2,063,453</u>
		\$ 648,476
		86,786
	\$ 193,715	193,715
	33,219	33,219
	13,462	13,462
	134,461	134,461
		352,806
		4,300
<u>\$ (139,893)</u>	<u></u>	<u>596,228</u>
<u>\$ (139,893)</u>	<u>\$ 374,857</u>	<u>\$ 2,063,453</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND  
 NET ASSETS - GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B ..... \$2,063,453

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds and to  
 fund future equipment purchases. A portion of the internal service funds are  
 included in governmental activities in the Statement of Activities  
 and Net Assets. .... 128,925

CASH BASIS NET ASSETS OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A \$2,192,378

NET CHANGE IN CASH BALANCES PER EXHIBIT B ..... \$ 347,107

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds and to  
 fund future equipment purchases. A portion of the change in net assets of the  
 internal service funds are included in governmental activities in the  
 Statement of Activities and Net Assets. .... (11,370)

CHANGE IN CASH BASIS NET ASSETS OF GOVERNMENTAL  
 ACTIVITIES PER EXHIBIT A \$ 335,737

CITY OF SPIRIT LAKE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds			
	Water	Sewer	Solid Waste	Total
OPERATING RECEIPTS:				
Charges for services .....	\$1,738,567	\$296,100	\$827,082	\$2,861,749
Charges to operating funds .....				
Intergovernmental .....			20,517	20,517
Miscellaneous .....	<u>2,303</u>	<u>32</u>	<u>1,756</u>	<u>4,091</u>
TOTAL OPERATING RECEIPTS	<u>1,740,870</u>	<u>296,132</u>	<u>849,355</u>	<u>2,886,357</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services .....	1,085,956	155,917	680,396	1,922,269
Claims and administrative charges .....	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>654,914</u>	<u>140,215</u>	<u>168,959</u>	<u>964,088</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments .....	9,433	2,537	4,780	16,750
Lease income .....	6,000			6,000
Special assessments .....		1,821		1,821
Purchase of capital assets .....	(253,457)	(19,914)		(273,371)
Loan proceeds .....	202,111			202,111
Debt service payments:				
Revenue note principal .....	(159,000)			(159,000)
Revenue note interest .....	<u>(80,828)</u>	<u>          </u>	<u>          </u>	<u>(80,828)</u>
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(275,741)</u>	<u>(15,556)</u>	<u>4,780</u>	<u>(286,517)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	379,173	124,659	173,739	677,571
OPERATING TRANSFERS IN .....			183,428	183,428
OPERATING TRANSFERS OUT .....	<u>(545,130)</u>	<u>(50,792)</u>	<u>(253,638)</u>	<u>(849,560)</u>
NET CHANGE IN CASH BALANCES	(165,957)	73,867	103,529	11,439
CASH BALANCES - BEGINNING OF YEAR	<u>1,079,078</u>	<u>431,183</u>	<u>665,612</u>	<u>2,175,873</u>
CASH BALANCES - END OF YEAR	<u>\$ 913,121</u>	<u>\$505,050</u>	<u>\$769,141</u>	<u>\$2,187,312</u>
CASH BASIS FUND BALANCES:				
Restricted for:				
Revenue note retirement .....	\$ 19,972			\$ 19,972
Water deposits .....	25,440			25,440
Unrestricted .....	<u>867,709</u>	<u>\$505,050</u>	<u>\$769,141</u>	<u>2,141,900</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 913,121</u>	<u>\$505,050</u>	<u>\$769,141</u>	<u>\$2,187,312</u>

# Exhibit D

<u>Internal Service Funds</u>		
<u>Self-Insurance</u>	<u>Equipment Revolving</u>	<u>Total</u>
\$ 19,680		\$ 19,680
<u>813</u>	<u>          </u>	<u>813</u>
20,493		20,493
<u>18,126</u>	<u>          </u>	<u>18,126</u>
<u>2,367</u>	<u>          </u>	<u>2,367</u>
459	\$ 2,818	3,277
<u>459</u>	<u>2,818</u>	<u>3,277</u>
2,826	2,818	5,644
 	70,000	70,000
<u>          </u>	<u>(14,500)</u>	<u>(14,500)</u>
2,826	58,318	61,144
<u>90,873</u>	<u>606,925</u>	<u>697,798</u>
<u>\$ 93,699</u>	<u>\$665,243</u>	<u>\$758,942</u>
<u>\$ 93,699</u>	<u>\$665,243</u>	<u>\$758,942</u>
<u>\$ 93,699</u>	<u>\$665,243</u>	<u>\$758,942</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND  
 NET ASSETS - PROPRIETARY FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D ..... \$2,187,312

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds and to fund future equipment purchases. A portion of the assets of the internal service funds are included in business type activities in the Statement of Activities and Net Assets. .... 630,017

CASH BASIS NET ASSETS OF BUSINESS TYPE ACTIVITIES PER EXHIBIT A \$2,817,329

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D . \$ 11,439

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds and to fund future equipment purchases. A portion of the change in net assets of the internal service funds are included in business type activities in the Statement of Activities and Net Assets. .... 72,514

CHANGE IN CASH BASIS NET ASSETS OF BUSINESS TYPE ACTIVITIES  
 PER EXHIBIT A \$ 83,953

CITY OF SPIRIT LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Spirit Lake, Iowa is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1879 and operates under the Home Rule provisions of the constitution of Iowa. The City operates under the Mayor-Council-Clerk/Administrator form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spirit Lake provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also operates the water, sewer, and solid waste utilities.

**A. Reporting Entity**

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. It was determined that the City has no component units.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

**B. Basis of Presentation**

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

Net assets are reported in two categories:

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

*The General Fund* is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

*Special Revenue:*

*The Tax Increment Financing Fund* is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

*The Debt Service Fund* is used to account for the payment of interest and principal on the City's general long-term debt.

*The Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

*Enterprise:*

*The Water Fund* is used to account for the operation and maintenance of the City's water system.

*The Sewer Fund* is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

*The Solid Waste Fund* is used to account for the operation and maintenance of the City's solid waste collection activities.

Additionally, the City reports the following funds:

*Proprietary Funds* - The Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.



### **C. Measurement Focus and Basis of Accounting**

The City of Spirit Lake maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### **D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## 2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2011 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2011:

Cash on hand .....	\$ 953
Demand deposits .....	327,954
Certificates of deposit/savings accounts .....	<u>4,680,800</u>
	<u>\$5,009,707</u>

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

## 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General Obligation Bonds/Notes</u>			<u>General Obligation Bonds/Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,735,000	\$ 891,671	\$ 2,626,671	\$ 222,000	\$ 222,363	\$ 444,363
2013	1,235,000	847,711	2,082,711	380,000	214,897	594,897
2014	1,290,000	807,546	2,097,546	386,000	202,298	588,298
2015	1,645,000	767,979	2,412,979	361,000	189,502	550,502
2016	1,660,000	713,481	2,373,481	373,000	177,520	550,520
2017-2021	9,030,000	2,618,389	11,648,389	1,995,000	695,680	2,690,680
2022-2026	7,120,000	889,021	8,009,021	2,246,000	345,218	2,591,218
2027-2028	<u>400,000</u>	<u>19,000</u>	<u>419,000</u>	<u>689,000</u>	<u>33,627</u>	<u>722,627</u>
Total	<u>\$24,115,000</u>	<u>\$7,554,798</u>	<u>\$31,669,798</u>	<u>\$6,652,000</u>	<u>\$2,081,105</u>	<u>\$ 8,733,105</u>

### 3. BONDS AND NOTES PAYABLE - Continued

#### Business-Type Activities

Year Ending June 30,	Water Revenue Capital Loan Notes			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 164,000	\$ 75,660	\$ 239,660	\$ 386,000	\$ 298,023	\$ 684,023
2013	169,000	70,330	239,330	549,000	285,227	834,227
2014	174,000	64,838	238,838	560,000	267,136	827,136
2015	179,000	59,183	238,183	540,000	248,685	788,685
2016	185,000	53,365	238,365	558,000	230,885	788,885
2017-2021	1,010,000	173,062	1,183,062	3,005,000	868,742	3,873,742
2022-2026	447,000	21,905	468,905	2,693,000	367,123	3,060,123
2027-2028				689,000	33,627	722,627
Total	<u>\$ 2,328,000</u>	<u>\$ 518,343</u>	<u>\$ 2,846,343</u>	<u>\$8,980,000</u>	<u>\$2,599,448</u>	<u>\$11,579,448</u>

#### **General Obligation Bonds/Notes**

General obligation bonds/notes to be serviced by the Debt Service Fund totaled \$30,767,000 at June 30, 2011.

The general obligation bonds reported under business type activities were issued to pay for water and sewer projects. They are anticipated to be repaid by those enterprise funds. In addition, a majority of the other general obligation bonds are anticipated to be repaid from tax increment financing revenues and local option sales tax funds. In compliance with statutory requirements, any payments from other funds are recorded as reimbursements to the Debt Service Fund in the City's accounting records. General obligation bonds/notes bear interest with rates ranging from 1.00% to 4.75%.

#### **Revenue Notes**

The City has pledged future water customer revenues, net of specific operating expenses, to repay the \$3,501,000 water revenue capital loan notes issued in May 2003. Proceeds from the notes provided financing for a water plant addition. The notes are payable solely from water customer net revenues and are payable through 2023. Annual principal and interest payments are expected to require less than 50% of net revenues. Total principal and interest remaining to be paid on the notes are \$2,846,342. For the current year, principal and interest paid and total customer net revenues were \$239,828 and \$654,914, respectively. The notes bear interest at 3.25% including a .25% loan service fee.

The resolution providing for the issuance of the water revenue capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the note falling due in the same year.

During the year ended June 30, 2011, the City is in compliance with the revenue note resolution.

#### 4. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Capital Projects	\$ 4,733	Storm sewer repairs
	Proprietary:		
	Enterprise:		
	Water	2,370	Shield transfer
	Sewer	395	Shield transfer
	Solid Waste	1,185	Shield transfer
	Internal service:		
	Equipment revolving	14,500	Truck purchase
		<u>23,183</u>	
Debt Service:	General	324,331	Debt payments
	Special Revenue:		
	Tax increment financing	2,091,690	Debt payments
	Capital Projects	18,088	Bond costs
	Proprietary:		
	Enterprise:		
	Water	542,760	Debt payments
	Sewer	50,397	Debt payments
	Solid waste	35,868	Special assessment
		<u>3,063,134</u>	
Capital Projects	Proprietary:		
	Enterprise:		
	Solid Waste	<u>146,585</u>	Surplus funds to projects
Proprietary:			
Enterprise:			
Solid Waste	Special Revenue:		
	Tax increment financing	<u>183,428</u>	Repay interfund loan and interest
Internal service:			
Equipment revolving	Proprietary:		
	Enterprise:		
	Solid waste	<u>70,000</u>	Budgeted transfer
TOTAL OPERATING TRANSFERS		<u>\$3,486,330</u>	

## **5. PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$142,307, \$142,832, and \$127,258, respectively, equal to the required contributions for each year.

## **6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

### **Plan Description**

The City operates a single-employer benefit plan which provides medical, dental, and prescription drug benefits to active and retired employees and their eligible dependents. There are 37 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical, dental, and prescription drug benefits are provided through an insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

### **Funding Policy**

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$418 for single coverage and \$969 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$237,807 and plan members eligible for benefits contributed \$38,193 to the plan.

## 7. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2011 is as follows:

Governmental activities:	
General fund .....	<u>\$ 57,594</u>
Business type activities:	
Proprietary:	
Enterprise:	
Water .....	14,228
Sewer .....	2,059
Solid waste .....	<u>6,387</u>
Total business type activities	<u>22,674</u>
TOTAL	<u>\$ 80,268</u>

## 8. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$1,000,000 of industrial development revenue bonds, of which \$381,908 is outstanding at June 30, 2011. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

## 9. RELATED PARTY TRANSACTIONS

The City has business transactions between the City and City officials, totaling \$179 during the year ended June 30, 2011. See item II-D-11 in the Schedule of Findings.

## 10. COMMITMENTS

The City has entered into contracts for street, storm sewer, and sewer rehabilitation projects. A summary of the projects is as follows:

Contracts total .....	\$ 872,838
Paid as of June 30, 2011 .....	<u>530,010</u>
Balance to be paid	<u>\$ 342,828</u>

The City has committed funds to several nonprofit organizations, including \$100,000 per year for four more years and \$50,000 in 2016 for the construction of the YMCA. No contracts have been signed. The City will report the expenditures in the year payments are made.

## **11. SUBSEQUENT EVENTS**

Subsequent to June 30, 2011, the City entered into three construction contracts totaling \$1,398,105. The City also issued \$103,000 of general obligation storm sewer improvement bonds for sewer improvements and \$1,615,000 of general obligation bonds for two projects.

## **12. RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$105,779.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City has established a partial self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City has agreed to pay a portion of the employees' deductible.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### 13. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB-54), was implemented during the year ended June 30, 2011. The effect of the change is as follows:

	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Total Nonmajor Governmental Funds</u>
Cash balances June 30, 2010, as previously reported	\$867,230	\$ 1,102	\$176,721
Changes in fund type classification per implementation of GASB 54:			
Local option sales tax to the general fund .....	1,102	(1,102)	
Police forfeiture to nonmajor fund (special revenue)	<u>(13,462)</u>	<u>          </u>	<u>13,462</u>
Cash balances July 1, 2010, as restated	<u>\$854,870</u>	<u>\$          </u>	<u>\$190,183</u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF SPIRIT LAKE  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes .....	\$ 1,950,264		\$ 1,950,264
Other city taxes .....	965,362		965,362
Tax increment financing revenues .....	2,415,385		2,415,385
Licenses and permits .....	27,898		27,898
Use of money and property .....	22,757	\$ 26,027	48,784
Intergovernmental .....	527,835	20,517	548,352
Charges for services .....	22,325	2,881,429	2,903,754
Special assessments .....		1,821	1,821
Miscellaneous .....	209,964	4,904	214,868
TOTAL RECEIPTS	<u>6,141,790</u>	<u>2,934,698</u>	<u>9,076,488</u>
DISBURSEMENTS:			
Public safety .....	1,014,802		1,014,802
Public works .....	866,225		866,225
Health and social services .....	31,666		31,666
Culture and recreation .....	512,734		512,734
Community and economic development .....	110,250		110,250
General government .....	356,029		356,029
Debt service .....	9,556,100		9,556,100
Capital projects .....	626,106		626,106
Business type .....		2,453,594	2,453,594
TOTAL DISBURSEMENTS	<u>13,073,912</u>	<u>2,453,594</u>	<u>15,527,506</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(6,932,122)</u>	<u>481,104</u>	<u>(6,451,018)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in .....	3,232,902	253,428	3,486,330
Operating transfer out .....	(2,622,270)	(864,060)	(3,486,330)
Bond and note proceeds - net .....	6,668,597	202,111	6,870,708
TOTAL OTHER FINANCING SOURCES	<u>7,279,229</u>	<u>(408,521)</u>	<u>6,870,708</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	347,107	72,583	419,690
BALANCE - BEGINNING OF YEAR .....	<u>1,716,346</u>	<u>2,873,671</u>	<u>4,590,017</u>
BALANCE - END OF YEAR	<u>\$ 2,063,453</u>	<u>\$2,946,254</u>	<u>\$ 5,009,707</u>

Less Funds Not Required to be Budgeted	Net Actual	Original Budget	Final Budget	Final to Actual Variance
	\$ 1,950,264	\$ 1,949,955	\$ 1,949,955	\$ 309
	965,362	901,557	938,088	27,274
	2,415,385	2,415,927	2,415,927	(542)
	27,898	26,800	26,800	1,098
\$ 3,277	45,507	38,200	45,450	57
	548,352	487,200	683,973	(135,621)
19,680	2,884,074	3,171,050	3,226,050	(341,976)
	1,821	1,666	1,666	155
813	214,055	60,000	181,206	32,849
<u>23,770</u>	<u>9,052,718</u>	<u>9,052,355</u>	<u>9,469,115</u>	<u>(416,397)</u>
	1,014,802	1,047,185	1,063,220	48,418
	866,225	963,725	1,022,647	156,422
	31,666		33,550	1,884
	512,734	560,024	597,719	84,985
	110,250	79,500	179,675	69,425
	356,029	538,479	423,290	67,261
	9,556,100	3,034,073	9,500,153	(55,947)
	626,106	283,000	911,422	285,316
18,126	2,435,468	2,610,865	2,954,338	518,870
<u>18,126</u>	<u>15,509,380</u>	<u>9,116,851</u>	<u>16,686,014</u>	<u>1,176,634</u>
<u>5,644</u>	<u>(6,456,662)</u>	<u>(64,496)</u>	<u>(7,216,899)</u>	<u>760,237</u>
70,000	3,416,330	4,108,393	4,528,980	(1,112,650)
(14,500)	(3,471,830)	(4,108,393)	(4,528,980)	1,057,150
	6,870,708		6,870,709	(1)
<u>55,500</u>	<u>6,815,208</u>		<u>6,870,709</u>	<u>(55,501)</u>
61,144	358,546	(64,496)	(346,190)	704,736
<u>697,798</u>	<u>3,892,219</u>	<u>4,183,109</u>	<u>4,183,109</u>	<u>(290,890)</u>
<u>\$758,942</u>	<u>\$ 4,250,765</u>	<u>\$ 4,118,613</u>	<u>\$ 3,836,919</u>	<u>\$ 413,846</u>

CITY OF SPIRIT LAKE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
FOR THE YEAR ENDED JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$7,569,163. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service function.

## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF SPIRIT LAKE  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Road Use Tax	Employee Benefits	Police Forfeiture	Friends of the Library	Total
RECEIPTS:					
Property tax .....		\$351,885			\$ 351,885
Other city taxes .....		11,901			11,901
Use of money and property .....		279		\$ 258	537
Intergovernmental .....	\$404,057			4,263	408,320
Miscellaneous .....		1,400		112,894	114,294
TOTAL RECEIPTS	<u>404,057</u>	<u>365,465</u>		<u>117,415</u>	<u>886,937</u>
DISBURSEMENTS:					
Public safety .....		171,670			171,670
Public works .....	302,122	77,596			379,718
Culture and recreation .....		66,114		14,480	80,594
General government .....		70,281			70,281
TOTAL DISBURSEMENTS	<u>302,122</u>	<u>385,661</u>		<u>14,480</u>	<u>702,263</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	101,935	(20,196)		102,935	184,674
CASH BALANCES - BEGINNING OF YEAR, as restated .....	<u>91,780</u>	<u>53,415</u>	<u>\$13,462</u>	<u>31,526</u>	<u>190,183</u>
CASH BALANCES - END OF YEAR	<u>\$193,715</u>	<u>\$ 33,219</u>	<u>\$13,462</u>	<u>\$134,461</u>	<u>\$ 374,857</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Streets .....	\$193,715				\$ 193,715
Employee benefits .....		\$ 33,219			33,219
Police purposes .....			\$13,462		13,462
Library purposes .....				\$134,461	134,461
TOTAL CASH BASIS FUND BALANCES	<u>\$193,715</u>	<u>\$ 33,219</u>	<u>\$13,462</u>	<u>\$134,461</u>	<u>\$ 374,857</u>

CITY OF SPIRIT LAKE  
SCHEDULE OF INDEBTEDNESS  
JUNE 30, 2011

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>
GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS:			
Taxable issue	9-1-1999		\$ 400,000
Essential corporate purpose	6-01-2003		4,200,000
General obligation capital loan notes	10-01-2004		2,280,000
General obligation refunding bonds	4-01-2005		1,145,000
General obligation annual appropriation bonds	8-01-2005	3.50 - 4.35%	5,000,000
General obligation urban renewal annual appropriation bonds	7-01-2006	4.10 - 4.40%	4,300,000
General obligation annual appropriation capital loan notes	6-11-2007	4.40%	1,010,000
General obligation annual appropriation bonds	7-26-2007	4.75%	5,390,000
General obligation capital loan notes, Series 2008	10-07-2008	3.55 - 3.95%	325,000
General obligation bonds, Series 2009A	11-24-2009	3.00 - 3.80%	3,135,000
General obligation refunding bonds, Series 2009B	11-24-2009	1.55%	1,585,000
General obligation bonds, Series 2010A	8-10-2010	2.00 - 3.25%	4,095,000
General obligation bonds, Series 2010B	8-10-2010	1.00 - 3.65%	2,565,000
TOTAL GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS			
GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS:			
General obligation bonds, Series 2007C (sewer)	6-01-2007	4.25 - 4.60%	610,000
General obligation capital loan note (water)	12-07-2006	3.25%	2,076,000
General obligation water improvement bonds (water)	9-17-2008	3.25%	4,552,000
TOTAL GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS			
TOTAL GENERAL OBLIGATION BONDS/NOTES			
REVENUE NOTE:			
Water revenue capital loan notes, Series 2003	5-20-2003	3.25%	3,501,000

<u>Final Due Date</u>	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
	\$ 50,000		\$ 50,000		\$ 3,750	
	3,640,000		3,640,000		26,796	
	1,855,000		1,855,000		14,923	
	320,000		320,000		2,096	
6-01-2025	5,000,000			\$ 5,000,000	199,302	
6-01-2026	4,300,000			4,300,000	183,261	
6-01-2013	840,000		645,000	195,000	17,424	
6-01-2027	4,985,000		200,000	4,785,000	236,788	
6-01-2014	265,000		65,000	200,000	9,655	
6-01-2024	3,135,000			3,135,000	105,830	
6-01-2012	1,020,000		525,000	495,000	13,710	
6-01-2023		\$4,095,000	525,000	3,570,000	87,042	
6-01-2024		<u>2,565,000</u>	<u>130,000</u>	<u>2,435,000</u>	<u>49,648</u>	
	<u>25,410,000</u>	<u>6,660,000</u>	<u>7,955,000</u>	<u>24,115,000</u>	<u>950,225</u>	
6-01-2027	570,000		25,000	545,000	24,948	
6-01-2026	1,855,000		110,000	1,745,000	60,287	
6-01-2028	<u>4,349,889</u>	<u>202,111</u>	<u>190,000</u>	<u>4,362,000</u>	<u>145,167</u>	
	<u>6,774,889</u>	<u>202,111</u>	<u>325,000</u>	<u>6,652,000</u>	<u>230,402</u>	
	<u>\$32,184,889</u>	<u>\$6,862,111</u>	<u>\$8,280,000</u>	<u>\$30,767,000</u>	<u>\$1,180,627</u>	
6-01-2023	<u>\$ 2,487,000</u>	<u>\$</u>	<u>\$ 159,000</u>	<u>\$ 2,328,000</u>	<u>\$ 80,828</u>	



CITY OF SPIRIT LAKE  
BOND AND NOTE MATURITIES  
JUNE 30, 2011

General Obligation Bonds/Notes

Year Ending June 30,	Issued 8-1-2005		Issued 7-1-2006		Issued 6-11-2007	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2012	3.50%	\$ 225,000			4.40%	\$ 95,000
2013	3.60%	395,000			4.40%	100,000
2014	3.70%	365,000				
2015	3.75%	365,000	4.100%	\$ 360,000		
2016	3.80%	365,000	4.100%	360,000		
2017	3.90%	365,000	4.125%	360,000		
2018	4.00%	365,000	4.150%	360,000		
2019	4.05%	365,000	4.200%	360,000		
2020	4.10%	365,000	4.250%	360,000		
2021	4.15%	365,000	4.300%	360,000		
2022	4.20%	365,000	4.350%	360,000		
2023	4.25%	365,000	4.375%	355,000		
2024	4.30%	365,000	4.400%	355,000		
2025	4.35%	365,000	4.400%	355,000		
2026			4.400%	355,000		
2027						
2028						
Total		<u>\$ 5,000,000</u>		<u>\$ 4,300,000</u>		<u>\$ 195,000</u>

General Obligation Bonds/Notes

Year Ending June 30,	Issued 11-24-2009 Series 2009B		Issued 8-10-2010 Series 2010A		Issued 8-10-2010 Series 2010B	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2012	1.55%	\$ 495,000	2.00%	\$ 450,000	1.00%	\$ 145,000
2013			2.00%	280,000	1.10%	120,000
2014			2.00%	290,000	1.45%	230,000
2015			2.00%	290,000	1.75%	235,000
2016			2.50%	290,000	2.00%	245,000
2017			3.00%	290,000	2.35%	250,000
2018			3.00%	280,000	2.55%	260,000
2019			3.00%	280,000	2.75%	150,000
2020			3.00%	280,000	3.00%	155,000
2021			3.00%	280,000	3.15%	160,000
2022			3.25%	280,000	3.30%	155,000
2023			3.25%	280,000	3.45%	160,000
2024					3.65%	170,000
2025						
2026						
2027						
2028						
		<u>\$ 495,000</u>		<u>\$ 3,570,000</u>		<u>\$ 2,435,000</u>

See Accompanying Independent Auditors' Report

CITY OF SPIRIT LAKE  
BOND AND NOTE MATURITIES - cont.  
JUNE 30, 2011

General Obligation Bonds/Notes

Issued 7-26-2007		Issued 10-7-2008		Issued 11-24-2009 Series 2009A	
Interest		Interest		Interest	
Rate	Amount	Rate	Amount	Rate	Amount
4.75%	\$ 210,000	3.55%	\$ 65,000	3.00%	\$ 50,000
4.75%	225,000	3.75%	65,000	3.00%	50,000
4.75%	235,000	3.95%	70,000	3.00%	100,000
4.75%	245,000			3.00%	150,000
4.75%	250,000			3.00%	150,000
4.75%	265,000			3.00%	300,000
4.75%	275,000			3.15%	300,000
4.75%	285,000			3.30%	310,000
4.75%	300,000			3.40%	325,000
4.75%	310,000			3.50%	350,000
4.75%	315,000			3.60%	350,000
4.75%	350,000			3.70%	350,000
4.75%	360,000			3.80%	350,000
4.75%	370,000				
4.75%	390,000				
4.75%	400,000				
<u>\$ 4,785,000</u>		<u>\$ 200,000</u>		<u>\$ 3,135,000</u>	

General Obligation Bonds/Notes

		Issued 6-1-2007		Issued 12-7-2006	
		Interest		Interest	
Subtotal (A)		Rate	Amount	Rate	Amount
\$ 1,735,000		4.25%	\$ 25,000	3.25%	\$ 1,000
1,235,000		4.25%	25,000	3.25%	152,000
1,290,000		4.25%	25,000	3.25%	152,000
1,645,000		4.25%	25,000	3.25%	120,000
1,660,000		4.25%	30,000	3.25%	120,000
1,830,000		4.25%	30,000	3.25%	120,000
1,840,000		4.25%	30,000	3.25%	120,000
1,750,000		4.30%	35,000	3.25%	120,000
1,785,000		4.35%	35,000	3.25%	120,000
1,825,000		4.35%	35,000	3.25%	120,000
1,825,000		4.40%	40,000	3.25%	120,000
1,860,000		4.40%	40,000	3.25%	120,000
1,600,000		4.50%	40,000	3.25%	120,000
1,090,000		4.50%	40,000	3.25%	120,000
745,000		4.60%	45,000	3.25%	120,000
400,000		4.60%	45,000		
<u>\$ 24,115,000</u>		<u>\$ 545,000</u>		<u>\$ 1,745,000</u>	

See Accompanying Independent Auditors' Report

CITY OF SPIRIT LAKE  
BOND AND NOTE MATURITIES - cont.  
JUNE 30, 2011

General Obligation Bonds/Notes

Year Ending June 30,	Issued 9-17-2008		Subtotal (B)	General Obligation Total
	Interest Rate	Amount		
2012	3.25%	\$ 196,000	\$ 222,000	\$ 1,957,000
2013	3.25%	203,000	380,000	1,615,000
2014	3.25%	209,000	386,000	1,676,000
2015	3.25%	216,000	361,000	2,006,000
2016	3.25%	223,000	373,000	2,033,000
2017	3.25%	230,000	380,000	2,210,000
2018	3.25%	238,000	388,000	2,228,000
2019	3.25%	246,000	401,000	2,151,000
2020	3.25%	254,000	409,000	2,194,000
2021	3.25%	262,000	417,000	2,242,000
2022	3.25%	270,000	430,000	2,255,000
2023	3.25%	279,000	439,000	2,299,000
2024	3.25%	288,000	448,000	2,048,000
2025	3.25%	297,000	457,000	1,547,000
2026	3.25%	307,000	472,000	1,217,000
2027	3.25%	317,000	362,000	762,000
2028	3.25%	327,000	327,000	327,000
		<u>\$ 4,362,000</u>	<u>\$ 6,652,000</u>	<u>\$ 30,767,000</u>

Revenue Note

Year Ending June 30,	Issued 5-20-2003		
	Interest Rate	Amount	
2012	3.25%	\$ 164,000	Notes to Schedule 3:
2013	3.25%	169,000	
2014	3.25%	174,000	All general obligation bonds/notes will be paid from the debt
2015	3.25%	179,000	service fund.
2016	3.25%	185,000	Any payments from other funds will be recorded as transfers to the
2017	3.25%	190,000	debt service fund.
2018	3.25%	196,000	
2019	3.25%	202,000	(A) Total general obligation bond/notes to be paid
2020	3.25%	208,000	by governmental funds.
2021	3.25%	214,000	
2022	3.25%	220,000	(B) Total general obligation bond/notes intended to paid
2023	3.25%	227,000	by enterprise funds.
		<u>\$ 2,328,000</u>	

## OTHER INFORMATION

CITY OF SPIRIT LAKE  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

	Cash Basis			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
RECEIPTS:				
Property tax .....	\$ 1,950,264	\$ 1,930,557	\$ 1,813,026	\$ 1,284,869
Tax increment financing .....	2,415,385	2,337,003	2,030,722	2,839,656
Other city taxes .....	965,362	875,002	970,243	965,017
Licenses and permits .....	27,898	27,208	20,078	54,162
Use of money and property .....	22,757	29,311	36,480	122,085
Intergovernmental .....	527,835	501,736	444,811	732,578
Charges for services .....	22,325	31,933	27,477	13,448
Miscellaneous .....	<u>209,964</u>	<u>130,984</u>	<u>222,450</u>	<u>168,498</u>
 TOTAL RECEIPTS	 <u>\$ 6,141,790</u>	 <u>\$ 5,863,734</u>	 <u>\$ 5,565,287</u>	 <u>\$ 6,180,313</u>
 DISBURSEMENTS:				
Public safety .....	\$ 1,014,802	\$ 1,072,431	\$ 984,546	\$ 850,649
Public works .....	866,225	926,717	873,090	743,808
Health and social services .....	31,666			
Culture and recreation .....	512,734	568,185	538,887	538,536
Community and economic development .....	110,250	43,381	5,870	51,115
General government .....	356,029	485,849	475,301	422,408
Debt service .....	9,556,100	4,438,312	2,685,985	2,248,864
Capital projects .....	<u>626,106</u>	<u>3,742,597</u>	<u>1,150,182</u>	<u>3,080,405</u>
 TOTAL DISBURSEMENTS	 <u>\$13,073,912</u>	 <u>\$11,277,472</u>	 <u>\$ 6,713,861</u>	 <u>\$ 7,935,785</u>

## Schedule 4

Cash Basis			
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 1,463,280	\$ 1,122,643	\$ 847,510	\$ 1,141,619
1,878,437	2,166,498	1,727,722	1,392,873
993,763	824,994	875,799	802,630
90,771	131,656	105,396	99,064
146,201	162,288	48,973	58,497
739,507	453,555	901,908	1,231,609
88,022	15,668	18,413	17,015
<u>283,654</u>	<u>206,945</u>	<u>473,719</u>	<u>240,584</u>
<u>\$ 5,683,635</u>	<u>\$ 5,084,247</u>	<u>\$ 4,999,440</u>	<u>\$ 4,983,891</u>
\$ 951,592	\$ 854,618	\$ 789,072	\$ 972,576
1,696,476	849,778	714,350	694,669
585,403	663,020	366,025	355,924
225,124	345,995	325,110	611,664
495,719	451,180	420,871	416,553
3,116,251	1,879,818	4,921,804	1,570,466
<u>6,914,420</u>	<u>2,995,488</u>	<u>3,436,656</u>	<u>4,156,452</u>
<u>\$13,984,985</u>	<u>\$ 8,039,897</u>	<u>\$10,973,888</u>	<u>\$ 8,778,304</u>

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INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and  
Members of the City Council  
City of Spirit Lake  
Spirit Lake, IA 51360

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 4, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Spirit Lake's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as Item I-A-11 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Spirit Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Spirit Lake, and other parties to whom the City of Spirit Lake may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spirit Lake during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Wintner, Starn + Co., LLP*

January 4, 2012



CITY OF SPIRIT LAKE  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011

**Part I: Findings Related to the General Purpose Financial Statements**

**Reportable Conditions:**

I-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted, because of the limited number of employees, there are times when employees are performing duties which are not compatible.

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City will continue to review its control procedures.

Conclusion - Response accepted.

**Instances of Non-Compliance:**

No findings were noted.

CITY OF SPIRIT LAKE  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2011

**Part II: Other Findings Related to Required Statutory Reporting**

- II-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - City administration overlooked a remaining debt payment on bonds that had been called earlier in the year. The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-11 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-11 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-11 Business Transactions - The City paid Spirit Lake Mainsail (Mainsail) \$45,000 during the year ended June 30, 2011. Mayor Blain Andera is the executive director of Mainsail. This does not appear to represent a conflict of interest since the mayor is only an employee of Mainsail and does not have a vote on the Mainsail funding.

The only other related party transaction noted was a \$179 payment to Converged Technologies, LLC, a company owned by Jerry Harbst, Council Member. The transaction does not appear to represent a conflict of interest since the amount is less than \$1,500.

- II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-11 Revenue Bonds/Notes - No non-compliance with revenue note provisions were noted.

- II-H-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.